

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 L-03 H-01
PRS-01 PA-01 EA-07 /078 W
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FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 5908
INFO USDOC WASHDC
AMEMBASSY DACCA
AMEMBASSY LONDON

C O N F I D E N T I A L 1054

E.O. 11652: GDS
TAGS: BDIS, TC
SUBJ: MAJOR TRADE DISPUTE MAY BE BREWING IN ABU DHABI

SUMMARY: \$120 MILLION CONTRACT BETWEEN BENGAL DEVELOPMENT COMPANY OF BANGLADESH AND ABU DHABI GOV'T. ON WHICH U.S. FIRM ANDERSON SYSTEMS IS MAJOR SUBCONTRACTOR, IS FALLING APART. IT APPEARS THAT LOCAL ANDERSON SYSTEMS PERSONNEL ARE ACTING RESPONSIBLY AND SEEKING TO AVOID DAMAGE TO REPUTATION OF THEIR FIRM. END SUMMARY.

1. JUST UNDER YEAR AGO, \$120 MILLION CONTRACT WAS SIGNED BETWEEN ABU DHABI GOV'T AND BENGAL DEVELOPMENT COMPANY (BDC) OF BANGLADESH CALLING FOR THE PROVISION BY BDC OF 5000 PRE-CAST CONCRETE HOUSES OVER ROUGHLY TWO YEAR PERIOD. THE HOUSES WERE TO BE MANUFACTURED IN TWO PLANTS IN AL-AIN AND ABU DHABI. U.S. FIRM ANDERSON SYSTEMS (A.S) OF HONOLULU CONTRACTED WITH BDC TO ERECT AND OPERATE THE PRE-CASTING PLANTS. BDC WAS TO FURNISH A.S. WITH LABOR, RAW MATERIALS, TRANSPORTATION, AND PREPARED SITES FOR THE FINISHED HOUSES.

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2. WORK ON PROJECT IS BEHIND SCHEDULE AND HAS NOT COME TO COMPLETE HALT. LARRY MCMILLAN, PROJECT MANAGER FOR ANDERSON SYSTEMS, REPORTED TO EMBOFF THAT BECAUSE BDC WAS NOT MEETING ITS CONTRACTUAL OBLIGATIONS AND HAD BECOME "IMPOSSIBLE TO WORK WITH", A.S. LEFT THE WORK SITE AND SENT MOST OF ITS PEOPLE OUT OF THE

COUNTRY ON MARCH 29. A.S. CLAIMS BDC DID NOT FULFILL ITS CONTRACTUAL OBLIGATIONS TO FURNISH TRANSPORT, LABOR, RAW MATERIALS, ETC. THEY FURTHER CLAIM BDC HAS NOT PAID FOR FULL AMOUNT OF EQUIPMENT DELIVERED TO BDC. BDC (WE UNDERSTAND FROM MANAGER OF STALCO, ANDERSON'S LOCAL SHIPPING AGENT) CLAIMS THAT A.S. HAS SUBMITTED FRADULENT BILLS OF LADING AND HAS THUS BEEN PAID BY BDC FOR GOODS NEVER ACTUALLY DELIVERED TO ABU DHABI.

3. ACCORDING TO MCMILLIAN, BDC PEOPLE ARE NOW IN HOUSTON, TEXAS CONFERRING WITH ANDERSON SYSTEMS ON WAYS TO REACTIVATE PROJECT. ORIGINAL ADG CONTRACT MAKES BDC LIABLE FOR SUBSTANTIAL PENALTIES IF COMPANY FAILS TO BEGIN DELIVERING HOUSES IN ABOUT TWO WEEKS, AND ACCORDING TO MCMILLIAN, BDC HAS NEVER REQUESTED EXTENSION FROM THE GOVERNMENT. ANDERSON SYSTEM'S CONTRACT WITH BDC HAS CLAUSE WHICH ALLOWED A.S. TIME EXTENSIONS IF BDC FAILS TO FULFILL

VARIOUS OBLIGATIONS TO CERTAIN DATES. AS RESULT, A.S. NOT NOW CONTRACTUALLY OBLIGATED TO HAVE HOUSE PLANTS IN OPERATION UNTIL LATE 1977.

4. MCMILLIAN IS NOW CONTRACTING ALL LOCAL SUPPLIERS OF A.S. ASSURING THEM OF A.S.'S GOOD INTENTIONS AND IS WAITING TO RECEIVE FUNDS TO PAY OUTSTANDING BILLS. MCMILLAN CONTESTS ONLY ONE BILL, THAT OF STALCO, WHICH HE CLAIMS IS TOO HIGH. STALCO HAS CONFIDENTIAL

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FILED COMPLAINT WITH ABU DHABI COURT WHICH HAS RESTRICTED MCMILLAN'S DEPARTURE. ACCORDING TO STALCO'S MANAGER, COURT HEARING IS SCHEDULED FOR APRIL 10, AND MCMILLAN WILL BE SERVED WITH SUMMONS BY APRIL 6. WE ASSUME COURT WILL DETERMINE AMOUNT, IF ANY, DUE STALCO. PRESUMABLY, IF MCMILLAN PAYS ANY AMOUNT COURT DECIDES IS NOW PAYABLE HE WILL BE FREE TO LEAVE ABU DHABI. ONCE FREE TO LEAVE ABU DHABI, MCMILLAN INTENDS TO GO TO LONDON TO FILE DEPOSITIONS AGAINST BDC. (THE CONTRACT BETWEEN BEC AND A.S. WAS WRITTEN IN THE U.K. AND PROVIDES FOR SETTLEMENT OF DISPUTES ACCORDING TO THE LAWS OF THE U.K., WHICH MAY BE REAL BLESSING FOR A.S.). ANDERSON SYSTEM'S LOCAL ASSISTANT PROJECT MANAGER FRED PEACOK (U.K. CITIZEN) HAS BEEN EMPOWERED TO ACT FOR THE COMPANY AND WILL REMAIN IN ABU DHABI.

5. IT APPEARS QUITE LIKELY THAT BDC CONTRACT WITH GOVERNMENT WILL NOT BE COMPLETED, AND ANDERSON

SYSTEMS MAY HAVE REPUTATION BESMIRCHED BY ASSOCIATION. HOWEVER IT DOES APPEAR TO US THAT LOCAL A.S. PEOPLE ARE ACTING IN RESPONSIBLE MANNER AND TRYING HARD TO PROTECT ANDERSON'S REPUTATION. ACCORDING TO MCMILLAN, ALL LOCAL A.S. CREDITORS EXCEPT STALCO WILL BE FULLY PAID BEFORE COURT HEARING ON APRIL 10. REPERCUSSIONS HERE UNFORTUNATELY WILL BE COMPLICATED BY UAE PRESIDENT SHAIKH ZAYID'S INTEREST IN PROMPT IMPLEMENTATION OF THIS MAJOR HOUSING CONSTRUCTION PROJECT. (DEPT. MAY RECALL NEWSPAPER REPORTS ON COMPANY WHICH INVITED SHAIKH ZAYID TO APPLY THE "PICK-AXE" TEST TO ITS MODEL DURING THE HOUSE COMPETITION JUDGING. THE "PICK-AXE" COMPANY WAS ANDERSON SYSTEMS.)
DICKMAN

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